

**STATE OF CALIFORNIA**  
**OFFICE OF THE CONTROLLER**



**INSTRUCTIONS**  
**FOR PREPARING THE**  
**PUBLIC RETIREMENT SYSTEMS**  
**ANNUAL REPORT**

## GENERAL INSTRUCTIONS

### **FILING REQUIREMENTS:**

**Who must file:** All California Public Employee Retirement Systems are required under Sections 7501 - 7504 of the Government Code, to furnish audited financial statements to the State Controller on an annual basis. The format for the reports to be provided by the Controller.

### **Types of Public Retirement Systems required to file:**

1. Defined Benefit Plans - LGRS Forms 700-706 should be completed annually. LGRS Forms 707-708 should be filed at the completion of each actuarial valuation.
2. Defined Contribution Plans - LGRS Forms 700-706 should be completed annually. LGRS Forms 707-708 are not required to be filed by defined contribution plans.
3. Combined General and Safety Systems - Combined systems that cannot segregate additions and deductions between general and safety categories, should report the combined amount on the COMBINED lines of the page.
4. Do not include amounts from Postemployment Healthcare Plans administered by a Defined Benefit Pension Plan.

**Audit Report:** The audit requirement can be satisfied by any of the following methods:

1. Independent auditor may include with the Controller's report (Forms LGRS 700 - 708) an opinion letter attesting to conformity with generally accepted accounting principles. Footnote disclosures which meet the requirements of Statement #25 of the Governmental Accounting Standards Board must be attached.
2. A separate audit report sent in addition to the Controller's annual report.
3. Agency-wide audit report. This is acceptable only if the audit report includes pension trust fund assets, liabilities, additions, and deductions in combining or individual fund financial statements. Furthermore, footnote disclosures which meet the requirements of Statement #25 of the Governmental Accounting Standards Board must be included.
4. For additional information concerning the audit requirements, please see the enclosed document-- "Minimum Audit Requirements & Reporting Guidelines.

**Actuary Report:** For defined benefit plans, the inclusion of the most recent actuarial report is requested. Government Code Section 7504 requires a valuation to be performed at least every three years. However, Governmental Accounting Standards Board Statement #25 requires an actuarial valuation at least every two years.

**Where to File:** All report are to be filed with the:

State Controller  
Division of Accounting And Reporting  
Local Government Reporting Section  
P.O. Box 942850  
Sacramento, CA 94250

**Report Assistance:** Questions regarding reporting compliance may be directed to the State Controller's Office, Division of Accounting And Reporting at (916) 323-2376.

For the hearing impaired, TDD only (916) 323-4991.

**Additional Report Blanks:** Additional report forms may be procured by calling the above telephone numbers for report assistance

## **GENERAL INSTRUCTIONS**

### **(Continued)**

**Preparation Reminders:** Points to bear in mind in preparing the report:

1. Read the instructions: the instructions for each form are on the pages following this page. Please do not complete the forms without first reading the instructions.
2. Type or print legible.
3. Sign and date Form LGRS 700.
4. Include all required forms and schedules.
5. Assemble report by placing forms in numerical sequence.
6. Figures should be rounded to nearest dollar.
7. Rates should be reported in percentage form and rounded to the nearest hundredth (e.g., 99.99).

**Penalties:** As stated in Government Code section 7504, a retirement system is subject to the penalty provided for in Government Code section 53895 for failure to file a financial report within 20 days of receiving the required notification.

The text of Section 53895 of the Government Code can be found in the enclosed document--"Minimum Audit Requirements & Reporting Guidelines.

**INDIVIDUAL FORM INSTRUCTIONS  
FOR  
LGRS 701 THROUGH LGRS 708**

# INSTRUCTIONS FOR LGRS 701

## STATEMENT OF PLAN NET ASSETS - ASSETS

### **Cash and Cash Equivalents** (Line 1):

Line 1: All cash on hand and cash on deposit in banks and public treasuries. Include savings and passbook accounts.

### **Receivables** (Lines 2-4) (Current):

Line 2: Contributions - Member and employer retirement contributions accrued but not yet received.

Line 3: Investments - Accrued interest and dividends on cash deposits, bonds, and other negotiable instruments and investments. Include receivables for investments sold. Any receivables for securities lending should be reported at gross value. Do not net against any liabilities for securities purchased or borrowed.

Line 4: Other - Receivables which cannot be properly classified under categories listed above.

### **Investments** (Lines 5 -15):

Investments should be reported at their fair value as defined in Governmental Accounting Standards Board Statement #25. For all securities lending transactions, the governmental entity should report the underlying securities (the securities loaned to the broker/dealer) as assets in its statement of net assets. These investment assets should continue to be reported in the appropriate investments category on this form.

Line 5: U. S. Government Obligations - Include U.S. government bonds and government agency bonds (e.g. Federal Land Bank and Federal Home Loan Banks).

Line 6: International Bonds - Report all investments in obligations of foreign governments and corporations.

Line 7: Municipal Bonds - Include all investments in bonds issued by municipalities in the U. S.

Line 8: Domestic Corporate Bonds - Include in this category all investments in bonds issued by domestic corporations

Line 9: Domestic Stocks - Include both preferred and common stock issued by domestic corporations.

Line 10: International Stocks - Include both preferred and common stock issued by corporations that are not considered domestic in origin.

Line 11: Mortgages - Include in this category FHA-VA, GNMA and conventional single-family loans, FHA project loans, FNMA, FHLMC and private-placement mortgage backed securities.

Line 12: Real estate equity property such as land and buildings. Do not include system fixed assets.

Line 13: Venture Capital

Line 14: Short-Term Investments - Include time certificates of deposits, treasury bills, money market accounts, banker acceptances, commercial and finance paper, funds invested in the state administered Local Agency Investment Fund or the Surplus Money Investment Fund.

Line 15: Other - Investments which cannot be properly classified under investment categories listed above. Report direct financing leases and unallocated insurance contracts and mutual fund investments here.

## INSTRUCTIONS FOR LGRS 701

### STATEMENT OF PLAN NET ASSETS - ASSETS (Continued)

#### **Fixed Assets** (Line 16):

Line 16: Report at depreciated cost based on their estimated useful lives.

#### **Other Assets** (Line 17):

Line 17: Those assets which cannot be reasonably categorized under the asset classifications discussed above (e.g., long-term receivables and/or prepaid expenses).

#### **Total Assets** (Line 18):

Line 18: This amount should equal the sum of the amounts reported on Lines 1 through 17.

### STATEMENT OF PLAN NET ASSETS - LIABILITIES AND NET ASSETS AVAILABLE FOR BENEFITS

**Liabilities** (Lines 19 - 23): Plan liabilities generally consist of benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses. Plan liabilities for benefits and refunds should be recognized when due and payable in accordance with the terms of the plan. All other plan liabilities should be recognized on the accrual basis. Include benefits due but unpaid, employer and member contributions received in advance, and accrued expenses. PERS liabilities are usually short-term in nature.

Line 19: Accounts Payable - Include all accounts that are due and payable, but unpaid, at the balance sheet date including unpaid benefits. Also include all member and employer refunds due and payable, but unpaid at the balance sheet date .

Line 20: Investment Purchases Payable - Report current payables due for investment acquisitions.

Line 21: Accrued Expenses - Report all plan expenses accrued but unpaid at the balance sheet date. Report all liabilities for securities borrowed at gross value. Do not net against any receivables for securities sold or lent.

Line 22: Other Current Liabilities - Include all other current liabilities which cannot be properly classified under the current liability categories above. Include on this line any amounts received as collateral for securities lending.

#### **Total Liabilities** (Line 23):

Line 23: This amount should equal the sum of the amounts reported on Lines 19 through 22.

#### **Net Assets Held In Trust For Pension Benefits** (Line 24):

Line 24: This amount should be equal to the amount reported on Line 18 (Total Assets) minus the amount reported on Line 23 (Total Liabilities).

## INSTRUCTIONS FOR LGRS 702

### STATEMENT OF CHANGES IN PLAN NET ASSETS - ADDITIONS

#### **Contributions** (Lines 1 - 9):

Lines 1 - 3: Employer Contributions - Enter the amount of employer contributions. For plans with both general and safety employee categories, please separate the total employer contribution amount into amounts contributed for the general membership category and the safety membership category. If unable to separate employer contribution amounts between general and safety, please enter the total contribution amount on line 3.

Lines 4 - 6: Employee Contributions - Enter the amount of employee contributions. Include subsidies of employee contributions by the employer. For plans with both general and safety employee categories, please separate the total employee contribution amount into amounts contributed from the general membership category and the safety membership category. If unable to separate employee contribution amounts between general and safety, please enter the total contribution amount on line 6.

Lines 7 - 9: Other Contributions - Report contributions from sources other than the employer(s) and employees. If you are a defined benefit system and contributions are not actuarially determined (i.e. pay-as-you-go) contributions should be reported here. If unable to separate other contribution amounts between general and safety, please enter the total contribution amount on line 9.

#### **Investment Income** (Lines 10 - 13):

Line 10: Interest - Enter monies earned on cash deposits, bonds, and other investments. Include amortization of premiums and discounts on debt securities and interest income on leases.

Line 11: Dividends - Enter earnings and distributions from stocks.

Line 12: Net Appreciation (Depreciation) in Fair Value of Investments - Include realized gains and losses of investments bought and sold during the reporting period and unrealized gains and losses do to the appreciation or depreciation in the fair value of investments held during the year. The amount reported on this line should not be net of investment management and custodial fees. Investment management and custodial fees should be included in the amount reported for administrative expenses on form LGRS 703.

Line 13: Other Investment Revenues - Report all other investment income.

#### **Other Revenue** (Line 14):

Line 14: Describe appropriately, and attach supplemental schedule if necessary.

# INSTRUCTIONS FOR LGRS 703

## STATEMENT OF CHANGES IN PLAN NET ASSETS - DEDUCTIONS

### **Benefit Payments (Lines 1 - 9):**

Lines 1 - 3: Service Retirement - Report pension, annuity, cost-of-living, and lump sum payments due to service retirement. Also include survivor continuance benefits. If unable to separate service retirement benefits payment amounts between general and safety, please enter the total retirement benefits payment amount on line 3.

Lines 4 - 6: Disability - Report payments including cost-of-living allowances to members retired due to total and permanent disability, or payments due to partial and temporary disability. If unable to separate disability benefits payment amounts between general and safety, please enter the total disability benefits payment amount on line 6.

Lines 7 - 9: Other Benefit Payments - Include payments made to members from employer contributions prior to normal or early retirement age, death benefits, life insurance premium payments, and other ancillary benefit payments. Do not include payments made for postemployment healthcare benefits. If unable to separate other benefits payment amounts between general and safety, please enter the total other benefits payment amount on line 9.

**Member Refunds** (Lines 10 - 12): Report a refund of contributions, including interest, to a member upon separation from service, to the member's beneficiary upon his/her death, or to the employer. If unable to separate refund payment amounts between general and safety, please enter the total other benefits payment amount on line 12.

**Administrative Expenses** (Line 13): Report administrative and management costs pertaining to the retirement system. Include investment counseling fees, actuarial services, and audit service costs in this section.

**Other Expenses** (Line 14): All other expenses.

**Total Deductions** (Line 15): Report the sum of the amounts reported on Lines 1 through 14.

**Net Increase (Decrease) in Plan Assets** (Line 16): Report the difference between total additions (form LGRS 702, Line 15) and total deductions (Form LGRS 703, Line 15).

**Beginning Of The Year Net Assets Held In Trust For Pension Benefits** (Line 17): Report the previous year's End of Year Net Assets Held In Trust For Pension Benefits.

**Adjustments** (Lines 18 - 19): Enter adjustments to Net Assets Held In Trust For Pension Benefits that should not be included as additions or deductions in the Statement Of Changes In Plan Net Assets. Examples would be adjustments due to an accounting principle change or prior period adjustments. Please describe the nature of the adjustment.

**End Of The Year Net Assets Held In Trust For Pension Benefits** (Line 20): The amount reported on this line should be equal to the sum of the amounts reported on Lines 16 through 19.



# INSTRUCTIONS FOR LGRS 704

## PLAN MEMBERSHIP

Plan membership (at Fiscal Year end):

### Employee Members (Lines 1-10):

**Columns 1 - 2:** Active Members - Report employees who are members of the plan by virtue of complying with the requirements of eligibility for participation. In column 1, list those employees who are either partially or fully vested in your retirement system. In column 2, list those employees who have no vested rights in your retirement system.

**Column 3:** Inactive Vested Members - Report members who have terminated employment and are entitled to benefits at some future date.

### Columns 4 - 7: Retired Members -

**Column 4:** Service Retired - Report members currently drawing benefits after completion of a specified minimum period of service, or attainment of a specified age.

**Column 5:** Service Disability - Report members who are currently receiving a service connected disability pension or benefit.

**Column 6:** Ordinary Disability - Report members who are currently receiving a non-service-connected disability pension or benefit.

**Column 7:** Survivors - Report beneficiaries of former members drawing benefits.

**Column 8:** Total - Sum the amounts reported in Columns 1-8 for each tier.

### Employer Members (Lines 11-12):

Enter on line 11 the number of local agencies (cities, counties, and special districts) who have contracted for retirement benefits or are participants in the retirement program. On line 12, enter the number of members within each type of local agency. Line 12 (col. 7) must agree with Line 10 (col. 8).

### Members' Annual Payroll (Lines 13-14):

Enter total active members covered payroll by general and safety and by tier. Covered payroll is defined as the amount of annual payroll that is the basis for the contribution rates. This payroll amount usually excludes overtime pay and bonuses.

# INSTRUCTIONS FOR LGRS 705

## SUPPLEMENTAL INFORMATION

**Column 1:** Social Security Coverage - Enter the appropriate code from the legend.

(1) **Integrated** - If benefits are at a lower rate in order to offset, in part or in whole, the benefits payable under social security, a system is considered integrated.

(2) **Supplemental** - If members are covered by social security, but benefits are not offset, a system is considered to have supplemental social security coverage.

**Column 2:** Funding Participation - Enter the appropriate code from the legend.

(1) **Contributory** - a contributory system is one in which both the employee and employer contribute funds.

(2) **Non-contributory** - a system in which only employer contributions are made.

**Column 3:** System Status - Enter the appropriate codes from the legend.

(1) **Open** - an open system is one in which new employees are allowed to enter.

(2) **Closed** - a system which no longer allows enrollment.

**Line 10:** Plan Identification

Enter the appropriate code from the legend.

(1) **Single-Employer Plan** - A plan that covers the current and former employees, including beneficiaries, of only one employer

(2) **Agent Multiple-Employer Plan** - Also known as an agent plan. An aggregation of single-employer plans with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level.

(3) **Cost-Sharing Multiple-Employer Plan** - A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

# INSTRUCTIONS FOR LGRS 706

## CONTRIBUTIONS

If the system is integrated with social security, report the rate above the integration level.

Employer and employee contribution rates are expressed as a percentage of covered payroll and should be increased and/or decreased to reflect the affect of subsidies and/or transfers. Rates should be reported in percentage form and rounded to the nearest hundredth (e.g., 99.99). Rates reported should include a provision for cost of living adjustments (COLA). For those systems or tiers within a system that are integrated with Social Security, the rate reported on this form should be the rate applicable to the amount of salary above the Social Security wage base.

**PLEASE NOTE: DEFINED CONTRIBUTION PLANS SHOULD ONLY COMPLETE LINES 6 AND 14 FOR EMPLOYER RATES AND EMPLOYEE RATES RESPECTIVELY.**

### **Employer Rates - Recommended by Actuary (Lines 1 - 3)**

**Line 1:** Normal Cost - Report rate(s) recommended by the plan's actuary to fund the cost of benefits assumed to have accrued during the year under the plan's funding method.

**Line 2:** Unfunded Actuarial Accrued Liability - Report the rate(s) recommended by the plan's actuary to amortize the unfunded actuarial accrued liability.

**Line 3:** Total - This amount is the sum of the rate(s) reported on Lines 1 and 2.

### **Employer Rates - Adopted by Governing Body (Lines 4 - 6):**

**Line 4:** Normal Cost - Report the rate(s) in effect at year end which were adopted by the governing board to fund the cost of benefits accrued during the year.

**Line 5:** Unfunded Actuarial Accrued Liability - Report the rate(s) in effect at year end which were adopted by the governing board to amortize the unfunded actuarial accrued liability.

**Line 6:** Total - This amount is the sum of the rate(s) reported on Lines 4 and 5.

### **Employee Rates - Recommended by Actuary (Lines 7 - 10):**

**Lines 7 - 10:** Enter the employee rates recommended by the plan's actuary for ages 25, 35 , and 45. If a single rate was recommended, enter this figure under the single rate line.

### **Rates Adopted by Governing Body (Lines 11 - 14):**

**Lines 11 - 14:** Enter the employee rates adopted by the governing body that were in effect at year end.

## **Contribution Amounts**

### **Annual Required Contributions (ARC)**

**Line 15:** Enter the dollar amount of the annual required contribution of the employer as determined by the system's actuary. This amount should include the employer's normal cost and a provision(s) for amortizing the total unfunded actuarial accrued liability.

**Line 16:** Enter the total dollar amount of employer contributions received by the retirement plan during the reporting period.

## INSTRUCTIONS FOR LGRS 707

### STATEMENT OF FUNDING POSITION

**Valuation Date** - Enter the "As Of" date of the actuarial valuation report from which the following information is taken. Enter in the form MM/DD/YYYY, example: 07/01/1997 for an "As Of" date of July 1, 1997.

**Line 1:** Actuarial Accrued Liability

Enter the Actuarial Present Value of pension benefits which is not provided for by future normal costs. This amount should be determined using one of the six actuarial cost methods permitted by the Governmental Accounting Standards Board Statement #25. The six actuarial methods permitted by the Governmental Accounting Standards Board Statement #25 are listed in the legend.

**Line 2:** Actuarial Value of Assets as of the Valuation Date:

Report the value of plan assets as reported by the plan's actuary.

**Line 3:** Unfunded Actuarial Accrued Liability:

Line 1 minus Line 2.

**Line 4:** Funded Ratio:

Line 2 divided by Line 1.

**Line 5:** Method Used to Determine Actuarial Accrued Liability:

From the legend enter the code number of the actuarial method used to calculate actuarial accrued liability reported on line 1. If the method used is not listed in the legend please enter number 8 for Other, and describe the method used in the COMMENTS section at the bottom of the page. Also, describe the reason for the use of a method other than those accepted for financial reporting purposes by the Governmental Accounting Standards Board Statement #25.

## INSTRUCTIONS FOR LGRS 708

### STATEMENT OF ACTUARIAL ECONOMIC ASSUMPTIONS, UAAL AMORTIZATION METHOD, AND ACTUAL RATE OF RETURN:

**Lines 1-3:** Valuation Assumed Rate of Return on Investments:

Real Rate of Return Excluding Inflation - Enter expected investment rate of return, excluding inflation used in the actuarial valuation. This rate will consist of the risk free and risk premium portions of the valuation interest rate. The risk free rate is defined as the rate that would prevail if the investment were 100 percent secure as to principal and income. The risk premium is defined as the premium demanded by investors for the possibility of loss of principal or income.

Inflation Component - Enter the portion of the total interest rate assumed for inflation.

(Please note: Rates should be reported in percentage form and rounded to the nearest hundredth (e.g., 99.99)).

**Lines 4-6:** Salary Scale Assumption:

Salary Scale (Excluding inflation) - Enter the portion of the salary scale assumed for merit, longevity, and productivity increases. It may be necessary to approximate an average rate since most merit scales have salaries increasing during the employee's younger ages and leveling off as retirement approaches.

Inflation - Enter the inflation portion of the salary scale assumption used in the valuation.

(Please note: Rates should be reported in percentage form and rounded to the nearest hundredth (e.g., 99.99)).

**Line 7:** Method used to amortize the unfunded actuarial liability:

Enter the Code of the method being used to amortize the unfunded actuarial liability from the legend.

**Line 8:** Amortization period for the total unfunded actuarial liability:

Enter the number of years over which the total unfunded actuarial liability is being amortized. If the total unfunded actuarial liability is being amortized as components over different periods, then the equivalent single amortization period (as defined in GASB Statement #25) should be entered

**Line 9:** Years remaining in the total unfunded actuarial liability amortization period.

Enter the number of years remaining (from the valuation date) in the amortization period entered on Line 8.

**Line 10:** Year in which the total unfunded actuarial liability is expected to be fully amortized:

Enter the year in which the total unfunded actuarial liability amortization period is expected to be fully amortized.

**Rate Of Return** - Optional (Lines 11 & 12):

**Line 11:** If available, report the dollar-weighted rate of return on total fund assets for the past one year, three year, and five year periods under columns 1, 2, and 3 respectively.

**Line 12:** If available, report the time-weighted rate of return on total fund assets for the past one year, three year, and five year periods under columns 1, 2, and 3 respectively.